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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)
)
Implementation of the) CC Docket No. 96-150
Telecommunications Act of 1996:)
)
Accounting Safeguards Under the)
Telecommunications Act of 1996)

PETITION FOR EXPEDITED LIMITED WAIVER

The Southern New England Telephone Company (SNET) respectfully submits this Petition For Expedited Limited Waiver (Petition), from a portion of the Report and Order adopted by the Federal Communications Commission (Commission) in this proceeding.¹ SNET only seeks a limited waiver from the market valuation of services requirement set forth in the Commission's Report and Order. In its Petition, SNET will demonstrate that good cause exists to grant SNET's Petition for services provided until such time as SNET's Competitive Local Exchange Carrier ("CLEC") affiliate, SNET America, Inc. ("SAI"), becomes fully operational. While SNET anticipates that the activity required by the Connecticut Department of Public Utility Control ("CDPUC") prior to SAI's entry into the marketplace as a CLEC will be completed by December 31, 1998, proceedings are currently underway in Connecticut which will likely extend this process until mid-1999. Thus, SNET respectfully requests that the Commission grant this

¹ In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, CC Docket No. 96-150, Report and Order, released December 24, 1996 (FCC 96-490) (Report and Order).

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waiver until July 1, 1999. SNET urges the Commission to act expeditiously, thus relieving SNET from conducting a market valuation which would have no value to SNET or its subscribers.

I. INTRODUCTION

The Report and Order requires that services provided by, and to, a LEC be recorded at the higher of market or FDC, and the lower of market or FDC, respectively.² The Commission created an exception from the market valuation of services for LECs which have a separate affiliate that exists solely to provide such services.³ On February 20, 1997, SNET filed a Petition for Limited Reconsideration in this proceeding, seeking limited reconsideration of the Report and Order to allow SNET to utilize the same exception provided to other LECs in the valuation of affiliate transactions, thereby preventing SNET's subscribers from being unfairly burdened with costs, simply because SNET's corporate structure differed, at that time, from that of other LECs. A limited number of parties filed oppositions to SNET receiving a similar exception from the market valuation requirement. On April 16, 1997, SNET filed its Reply to Oppositions to its Petition for Limited Reconsideration, to explain why expanding the exception is appropriate. To date, the Commission has not acted on SNET's Petition for Limited Reconsideration.

² Id.

³ Id. at ¶ 148; Appendix B, § 32.37(c).

On June 25, 1997, CDPUC issued a final decision approving SNET's request to restructure its corporate organization.⁴ Under this new corporate organization, on September 1, 1997, SNET's Holding Company (Southern New England Telecommunications Corporation) began providing corporate services (i.e., Human Resources, Accounting, Legal, Finance, etc.) to each of its affiliates, in addition to general corporate governance. Thus, on September 3, 1997, SNET filed an *ex parte* letter informing the Commission of these facts and that SNET would avail itself of the exception provided in Paragraph 148 of the Commission's Report and Order.⁵ However, by virtue of this same CDPUC decision, on January 1, 1998, SNET will begin operating in a dual retail mode for a limited period. In this mode, both SAI and SNET will provide telecommunications services on a retail basis, until such time as SNET withdraws from the retail market. During this period, certain services (i.e., billing, marketing, sales, customer service, etc.) will continue to be provided by SNET. This will conclude when SAI becomes fully operational, at which time SNET will discontinue the provision of these services.

Thus, SNET respectfully requests that the Commission grant SNET a waiver from the valuation of services requirement set forth in the Report and Order, for those services which SNET will continue to provide for a limited period of time.

⁴ Docket No. 94-10-05, DPUC Investigation Of SNET Affiliate Matters Associated With The Implementation Of Public Act 94-83.

⁵ Letter from Wendy S. Bluemling, Director of Regulatory Affairs at SNET, to William F. Caton, Acting Secretary of the Commission, dated September 3, 1997.

II. SNET WOULD BE UNDULY BURDENED BY ATTEMPTING TO OBTAIN MARKET VALUATION INFORMATION.

SNET would be unduly burdened by attempting to obtain market valuation information for purposes of valuing the services that SNET will perform on a temporary basis. The Report and Order and Section 32.2(c) of the Commission's rules now require LECs to produce an estimate of market value for each and every service provided by the LEC to its affiliates. In order to perform the required analyses, SNET would have to devote resources to evaluate the extent to which comparable services are offered by vendors and, if so, what the prices for these services would be. Even if this information were readily available, obtaining estimates of fair market value for services specifically tailored to the corporate family would result in a significant non-value-added expenditure of company resources, which would ultimately be borne by subscribers. Conducting these analyses would be of doubtful use at best and would be limited only to a short period of time. Thus, SNET would be required to expend limited resources in an endeavor which would have essentially no value to either SNET or its subscribers.

III. CONCLUSION

On January 1, 1998, SNET will begin operating in a dual retail mode. For a limited time, SNET will provide certain marketing and customer related services to its affiliates until SAI becomes fully operational. At that time, SNET's provision of these services will cease. SNET would be unduly burdened by attempting to obtain relevant market information for purposes of valuing every service provided by SNET during this limited period. Moreover, such an endeavor would have virtually no value for either

SNET or its subscribers. Thus, SNET respectfully requests that the Commission grant SNET a waiver of the market valuation of marketing and customer related services requirement for the limited time described herein.

Respectfully submitted,

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